Al Rajhi Multi Asset Balanced Fund
(Managed by Al Rajhi Capital)

FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET BALANCED FUND
(MANAGED BY AL RAJHI CAPITAL)

Opinion

We have audited the financial statements of Al Rajhi Multi Asset Balanced Fund (the "Fund") managed by Al Rajhi Capital (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, changes in equity attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET BALANCED FUND
(MANAGED BY AL RAJHI CAPITAL) (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI MULTI ASSET BALANCED FUND
(MANAGED BY AL RAJHI CAPITAL) (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 28 Rajab 1440H
(4 April 2019)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	***31 December 2018 SR***	*31 December 2017 (Note 7) SR*	*1 January 2017 (Note 7) SR*
ASSETS				
Cash and cash equivalents		**200,445**	633,760	85,894
Financial assets at fair value through profit or loss	8	**123,822,240**	156,939,873	150,369,338
TOTAL ASSETS		**124,022,685**	157,573,633	150,455,232
LIABILITIES				
Accrued expenses		**61,314**	57,500	52,496
TOTAL LIABILITIES		**61,314**	57,500	52,496
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		**123,961,371**	157,516,133	150,402,736
TOTAL LIABILITIES AND EQUITY		**124,022,685**	157,573,633	150,455,232
Units in issue		**13,610,043**	17,605,140	17,411,371
Net asset value per unit		**9.11**	8.95	8.64

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	*2018* *SR*	*2017* *SR*
INCOME			
Trading income, net	9	**3,180,667**	5,535,725
EXPENSES			
Other expenses		**(82,167)**	(62,500)
NET INCOME FOR THE YEAR		**3,098,500**	5,473,225
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,098,500**	5,473,225

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2018

	2018 *SR*	*2017* *SR*
EQUITY AT THE BEGINNING OF THE YEAR	**157,516,133**	150,402,736
CHANGES FROM THE OPERATIONS		
Total comprehensive income for the year	**3,098,500**	5,473,225
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	**13,553,075**	11,575,454
Value of units redeemed	**(50,206,337)**	(9,935,282)
Net change from unit transactions	**(36,653,262)**	1,640,172
EQUITY AT THE END OF THE YEAR	**123,961,371**	157,516,133

Transactions in units during the year are summarised as follows:

	2018	*2017*
UNITS AT THE BEGINNING OF THE YEAR	**17,605,140**	17,411,371
Units sold	**1,489,541**	1,320,718
Units redeemed	**(5,484,638)**	(1,126,949)
Net (decrease) increase in units	**(3,995,097)**	193,769
UNITS AT THE END OF THE YEAR	**13,610,043**	17,605,140

The attached notes 1 to 16 form part of these financial statements.

AL RAJHI MULTI ASSET BALANCED FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 *SR*	*2017* *SR*
OPERATING ACTIVITIES		
Net income for the year	**3,098,500**	5,473,225
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Movement in unrealised losses (gains) on financial assets at fair value through profit or loss (note 9)	**1,953,120**	(4,214,484)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	**31,164,513**	(2,356,051)
Accrued expenses	**3,814**	5,004
Net cash from (used in) operating activities	**36,219,947**	(1,092,306)
FINANCING ACTIVITIES		
Proceeds from units sold	**13,553,075**	11,575,454
Value of units redeemed	**(50,206,337)**	(9,935,282)
Net cash (used in) from financing activities	**(36,653,262)**	1,640,172
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(433,315)**	547,866
Cash and cash equivalents at the beginning of the year	**633,760**	85,894
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**200,445**	633,760
<u>Operational cash flows from dividends:</u>		
Dividends received	**381,004**	296,541

1. GENERAL

Al Rajhi Multi Asset Balanced Fund (the "Fund") is an open-ended investment fund established under an agreement between Al Rajhi Capital (the "Fund Manager"), a wholly owned subsidiary of the Al Rajhi Banking and Investment Corporation (the "Bank") and investors (the "Unitholders") in the Fund. The address of the Fund Manager is as follows:

Al Rajhi Capital
P.O. Box 5561
Riyadh 11432
Kingdom of Saudi Arabia

The Fund is designed to combine between moderate and low risk investments for investors seeking to invest in long-term investments in accordance with Islamic principles through investments in other investment funds. The Fund's net income is reinvested in the Fund, which affects the value and price per unit.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations ("Amended Regulations") published by the CMA on 16 Sha'aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("IFRS as endorsed in the KSA").

For all years up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by the Saudi Organization of Certified Public Accountants ("SOCPA accounting standards"). These financial statements are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in the KSA and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied.

Refer to Note 7 for information on how the Fund's financial statements are impacted upon the adoption of IFRSs.

3.2 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention, using the accruals basis of accounting except for investments held at fair value through profit or loss that are measured at fair value.

3.3 FUNCTIONAL CURRENCY

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Fund's functional currency. All financial information presented has been rounded to the nearest SR.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

Financial instruments

Initial recognition

The Fund records a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI"); and
- Amortised cost.

These classifications are on the basis of the business model of the Fund and how it manages the financial assets, and contractual cash flow characteristics.

The Fund measures financial assets at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVTPL.

The Fund designates a financial liability at FVTPL if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Impaired debts, together with the associated allowances, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Fair value measurement* (continued)**
The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 11.

Trade date accounting
All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents includes bank balances with a maturity of three months or less.

Provisions
Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Accrued expenses
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

Redeemable Units
Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the unitholder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable Units (continued)

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to the Unitholders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

The capital of the Fund is SR 51,037,661 (31 December 2017: SR 66,019,275) divided into 13,610,043 (31 December 2017: 17,605,140) participating units of SR 3.75 par value. All issued participating units are fully paid. The Fund's capital is represented by these participating units and are classified as equity instruments. The shares are entitled to payment of a proportionate share of the Fund's net asset value upon winding up of the Fund.

Management fees

Fund management fees are recognised on an accruals basis (inclusive of value added tax for the year 2018) and charged to the statement of comprehensive income.

Fund management fees are charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

Revenue recognition

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

a) Identify the contract
b) Identify performance obligation
c) Determine the transaction price
d) Allocation of the transaction price
e) Recognize revenue

Net gain or loss on financial assets and liabilities at FVTPL

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in the statement of comprehensive income in a separate line item.

Expenses

Expenses are measured and recognized as expenses on an accruals basis in the year in which they are incurred.

Zakat

Zakat at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses.

Net asset value per unit
The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements in conformity with the IFRS as endorsed in the KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Going concern
The Board of Directors, in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value Measurement
The Fund measures its investments in financial instruments, such as equity instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in Note 11.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments and interpretations issued but not yet effective and not early adopted

Significant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt the following standards, if applicable, when they become effective.

IFRS 16 Leases

In January 2016, the IASB issued the final version of IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer "lessee" and "lessor". IFRS 16 is effective for annual years beginning on or after 1 January 2019 with early application permitted but only if it also applies IFRS 15 Revenue from Contracts with Customers.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

IFRS 9 was early adopted by the Fund as part of the adoption of IFRS as endorsed in KSA in 2017. As per the amendment to IFRS 9, a debt instrument can be measured at amortised cost or at FVTOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted.

7. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA

These financial statements are the first annual financial statements of the Fund which have been prepared in accordance with IFRS as endorsed in KSA. For the years up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with SOCPA Accounting Standards.

Accordingly, the Fund has prepared the financial statements that comply with IFRS as endorsed in KSA that are applicable as at 31 December 2018, together with the comparative information for the year ended 31 December 2017. In preparing the financial statements, the Fund's opening statement of financial position was prepared as at 1 January 2017, the Fund's date of transition to IFRS as endorsed in KSA.

This note explains the principal adjustments made by the Fund in restating its financial statements prepared in accordance with SOCPA Accounting Standards, including the statement of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA Accounting Standards (after adjustments to reflect any differences in accounting policies).

Reconciliation between SOCPA accounting standards and IFRS as endorsed in KSA

The Fund noted no transition adjustments to the statement of financial position (termed as "Balance Sheet" as per SOCPA Accounting Standards) and statement of comprehensive income (termed as "Statement of Operations" as per SOCPA Accounting Standards).

8. FINANCIAL ASSETS AT FVTPL

The composition of the financial assets at FVTPL in investment funds on the last valuation day of the year is summarized below:

	31 December 2018		
	Cost SR	***Market Value SR***	***% of market value SR***
Al Rajhi Commodities Mudarabah Fund-Saudi Riyal	**51,497,836**	**55,342,354**	44.70
Al Rajhi Commodities Mudarabah Fund – USD	**22,969,427**	**24,507,358**	19.79
Al Rajhi Sukuk Fund	**13,997,228**	**14,689,443**	11.86
Al Rajhi Global Equity Fund	**9,402,580**	**10,281,579**	8.30
Al Rajhi Saudi Equity Income Fund	**5,473,220**	**6,259,276**	5.06
Al Rajhi Saudi Equities Fund	**5,523,633**	**6,089,773**	4.92
Al Rajhi MENA Dividend Growth Fund	**3,498,110**	**2,749,866**	2.22
Al Rajhi GCC Equity Fund - Saudi Riyal	**2,467,272**	**2,495,029**	2.02
Al Rajhi REIT Fund	**1,083,357**	**976,042**	0.79
Mulkia Gulf Real Estate REIT	**440,180**	**431,520**	0.34
Total financial assets at FVTPL	**116,352,843**	**123,822,240**	**100**

	31 December 2017		
	Cost SR	*Market Value SR*	*% of market value SR*
Al Rajhi Commodities Mudarabah Fund - Saudi Riyal	70,510,648	74,650,464	47.57
Al Rajhi Commodities Mudarabah Fund – USD	28,447,141	30,061,878	19.16
Al Rajhi Global Equity Fund	16,907,365	20,458,049	13.04
Al Rajhi Sukuk Fund	13,997,228	14,520,416	9.25
Al Rajhi Saudi Equity Income Fund	5,045,151	5,655,081	3.60
Al Rajhi GCC Equity Fund	4,685,073	4,345,197	2.77
Al Rajhi Saudi Equities Fund	3,701,943	4,104,994	2.62
Al Rajhi MENA Dividend Growth Fund	4,001,463	2,922,034	1.86
Mulkia Gulf Real Estate REIT	221,344	221,760	0.13
Total financial assets at FVTPL	147,517,356	156,939,873	100

	1 January 2017		
	Cost SR	*Market Value SR*	*% of market value SR*
Al Rajhi Commodities Mudarabah Fund - Saudi Riyal	70,411,635	73,455,173	48.85
Al Rajhi Commodities Mudarabah Fund – USD	31,149,743	32,624,944	21.70
Al Rajhi Global Equity Fund	12,645,716	13,204,751	8.78
Al Rajhi Sukuk Fund	11,997,229	12,309,356	8.19
Al Rajhi GCC Equity Fund	2,892,578	2,542,418	1.69
Al Rajhi Saudi Equity Income Fund	5,677,174	6,498,161	4.32
Al Rajhi Saudi Equities Fund	5,783,164	6,273,004	4.17
Al Rajhi MENA Dividend Growth Fund	4,604,066	3,461,531	2.30
Total financial assets at FVTPL	145,161,305	150,369,338	100

9. TRADING INCOME, NET

	31 December 2018 SR	*31 December 2017 SR*
Movement in unrealised (loss) gain on financial assets at fair value through profit or loss	**(1,953,120)**	4,214,484
Realised gain on sale, net	**4,752,783**	1,024,700
Dividend income	**381,004**	296,541
	3,180,667	5,535,725

10. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts business with related parties.

The Fund Manager charges the Fund with charges such as, professional fees, Board of Directors' remuneration and any other expenses incurred on behalf of the Fund. Based on the agreement between the Fund and the Fund Manager, the Fund is not required to pay any fees for the management of the Fund. However, the Fund Manager charges a subscription fee of up to 2% maximum on all new subscriptions that is paid directly to the Fund Manager by the subscribers.

Board of Directors' fees amounting to SR 20,000 (2017: SR 20,000) was charged during the year. As at 31 December 2018, Board of Directors' fees amounting to SR 20,000 (31 December 2017: 20,000; 1 January 2017: SR 20,000) is payable to the Fund's board.

The units in issue at 31 December 2018 include Nil units held by the employees of the Fund Manager (31 December 2017: Nil units; 1 January 2017: Nil).

The units in issue at 31 December 2018 include Nil units held by the Fund Manager (31 December 2017: Nil units; 1 January 2017: Nil units).

At the end of the year, the cash balances with the Bank are SR 195,019 (31 December 2017: SR 395,935; 1 January 2017: SR 22,905).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy
The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

Carrying amounts and fair value

SR	*Carrying value*	*Level 1*	*Level 2*	*Level 3*	*Total*
31 December 2018					
Financial assets measured at fair value					
Financial assets at fair value through profit or loss	**123,822,240**	**123,822,240**	**-**	**-**	**123,822,240**
Total	**123,822,240**	**123,822,240**	**-**	**-**	**123,822,240**

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Carrying amounts and fair value (continued)

SR	*Carrying value*	*Level 1*	*Level 2*	*Level 3*	*Total*
31 December 2017					
Financial assets measured at fair value					
Financial assets at fair value through profit or loss	156,939,873	156,939,873	-	-	156,939,873
Total	156,939,873	156,939,873	-	-	156,939,873
1 January 2017					
Financial assets measured at fair value					
Financial assets at fair value through profit or loss	150,369,338	150,369,338	-	-	150,369,338
Total	150,369,338	150,369,338	-	-	150,369,338

12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

As at 31 December 2018	***Within 12 months SR***	***After 12 months SR***	***Total SR***
ASSETS			
Cash and cash equivalents	**200,445**	-	**200,445**
Financial assets at fair value through profit or loss	**123,822,240**	-	**123,822,240**
TOTAL ASSETS	**124,022,685**	-	**124,022,685**
LIABILITIES			
Accrued expenses	**61,314**	-	**61,314**
TOTAL LIABILITIES	**61,314**	-	**61,314**

As at 31 December 2017	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Cash and cash equivalents	633,760	-	633,760
Financial assets at fair value through profit or loss	156,939,873	-	156,939,873
TOTAL ASSETS	157,573,633	-	157,573,633
LIABILITIES			
Accrued expenses	57,500	-	57,500
TOTAL LIABILITIES	57,500	-	57,500

12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 1 January 2017	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Cash and cash equivalents	85,894	-	85,894
Financial assets at FVTPL	150,369,338	-	150,369,338
TOTAL ASSETS	150,455,232	-	150,455,232
LIABILITIES			
Accrued expenses	52,496	-	52,496
TOTAL LIABILITIES	52,496	-	52,496

13. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Cash and cash equivalents	**200,445**	633,760	85,894
Financial assets at fair value through profit or loss	**123,822,240**	156,939,873	150,369,338
	124,022,685	157,573,633	150,455,232

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. The Fund's holdings are considered to be readily realizable as they are units in other open ended public funds and securities listed on the stock market. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund views the SR as its functional currency.

The Fund's financial assets and liabilities are denominated in SR and the Fund is not exposed to significant currency risks.

13. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Fund's income or cash flow. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

14. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 4 April 2019 corresponding to 28 Rajab 1440H.

16. LAST VALUATION DAY

The last valuation day of the year was 31 December 2018 (2017: 31 December 2017).